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SUBJECT: DEPUTY SECRETARY LEW'S MEETING WITH PRESIDENT KIKWETE

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11. (SBU) SUMMARY. President Kikwete, meeting with Deputy Secretary Lew June 30 immediately before departing for the African Union meeting in Libya, expressed satisfaction with U.S. assistance programs, in particular MCC, PEPFAR, and PMI, and the U.S. approach to assistance. Kikwete described Tanzania's response to the global economic situation and was optimistic about recovery. On Zanzibar, he said he was again engaging with the parties. Kikwete touched on regional issues, noting concern about Somalia. Finally, on the APR tax dispute, Kikwete turned to his Minister of Finance to ensure a quick resolution. END SUMMARY.

U.S. ASSISTANCE TO TANZANIA

12. (SBU) President Kikwete thanked the Deputy Secretary for his visit to Tanzania, saying it strengthened relations. He expressed satisfaction with U.S. assistance programs, in particular with the paradigm of partnership and Tanzanian ownership rather than "dictation" and a commitment to "mutuality, open discussion and the exchange of ideas." He cited the Millennium Challenge Compact as a model, where the only limiting factor was the resources the U.S. was willing to commit. Kikwete hoped President Obama or Secretary Clinton would visit to see the bulldozers in action building roads as soon as November. Turning to other programs, Kikwete praised PEPFAR for helping Tanzania to build capacity. He cited U.S. support in providing test kits for the nationwide voluntary counseling and testing campaign, which had reached five million people and reduced stigma. He called the Presidential Malaria Initiative a "great success" that had appropriately targeted assistance. Kikwete did not take up the Deputy Secretary's request to identify ways the U.S. could improve its assistance programs.

TANZANIA AND ECONOMIC CRISIS

13. (SBU) Kikwete noted the global economic crisis had reached Tanzania through its effect on exports, as market declines accompanied falling prices. He said the GOT was taking measures to help traders, such as through bank guarantees for credit to purchase from farmers. Kikwete was confident Tanzania would recover, that the situation would not get worse. He noted coffee prices were already starting to recover.

ZANZIBAR

14. (SBU) President Kikwete said he had started the process of reinitiating talks between the parties, although he was getting attacked both by opposition CUF and within his own party. With the short time remaining before the next election, "we can't do all we planned," in particular holding a referendum on power-sharing. Kikwete said the important thing before the 2010 elections was to make arrangements for "new political dispensations," without which

"I don't know how it will end." He remarked on the "hairline finish" that characterizes all Zanzibar elections. Kikwete said both he and Vice President Shein (a Zanzibar native) were "quite committed" to progress on Zanzibar.

REGIONAL ISSUES: SOMALIA, KENYA, BURUNDI, DR CONGO

15. (SBU) President Kikwete said the situation in Somalia was "almost getting out of hand." Tanzania was concerned about the Islamist factor in Somalia, the potential for support of Islamic extremists in other countries. While Tanzania itself "essentially" doesn't have extremists, the situation in Kenya was more worrisome. Kikwete remarked that Somalis were using money from piracy to buy property in Kenya, spending in Nairobi because there was nothing to buy in Somalia. Kikwete added that Kenya's domestic situation was to have been discussed on the margins of the Great Lakes Summit; however, Kenya as chair of the summit had repeatedly postponed meetings.

16. (SBU) Kikwete touched briefly on Burundi, saying the country was "on course," and on the DR Congo, where although the guns were silent, the ex-FAR/Interahamwe/FDLR were still on the loose, looting and raping.

APR ENERGY

17. (SBU) Deputy Secretary Lew thanked Kikwete for his attention to the ongoing tax dispute involving U.S.-based APR Energy and emphasized the importance of its speedy resolution. Kikwete expressed surprise that the issue remained active and asked Minister of Finance Mkulo to have a report ready for him on his return from Libya. Mkulo, who said the real problem was between Tanesco (the Tanzanian energy parastatal) and the tax authorities, promised to sort it out.

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18. (U) Deputy Secretary Lew cleared this cable.

ANDRE